

MAYFIELD INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2016

MAYFIELD INDEPENDENT SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2016

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KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
American Institute
of CPA's

♦
MEMBER,
Kentucky Society
of CPA's

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4 through 8 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayfield Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 11, 2016, on my consideration of the Mayfield Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mayfield Independent School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 11, 2016

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

As management of the Mayfield Independent School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$1,881,379 and the ending balance was \$1,820,282.
- The District had a combined fund balance for all governmental funds on July 1, 2014 of \$2.898 million. The balance decreased to \$1.904 million by June 30, 2015 and increased to \$3.471 million by June 30, 2016. The increase was primarily due to bond proceeds received that had not been completely spent. The net position of the proprietary fund decreased from \$1,059,000 at July 1, 2014 to \$818,000 by June 30, 2015, then increased to \$891,000 by June 30, 2016. The decrease from FY 14 to FY 15 was due to GASB 68 pension related liabilities being allocated to the food service fund.
- One new 66 passenger school bus was added to the fleet for \$85,000.
- Technology additions were made to student devices. Mayfield Middle School got two carts of 30 iPads each; one for the science department and one for the math department with an approximate cost of \$34,000. Mayfield Elementary School received five iPads for each classroom in grades K-1 and five notebooks per classroom in grade 2 at an approximate cost of \$69,000. Mayfield Middle School and Mayfield High School both received stationary lab replacements as well. There were 30 stations replaced in each lab with a total estimated cost of \$60,000.
- The KETS technology match was made for \$35,635.
- The General Fund had \$14,371,817 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased \$500,000 from the prior year, primarily due to an increase in state funding. There was \$14,432,914 in General Fund expenditures. Expenditures increased \$210,000 from the prior year, with the largest increases in the student support services and transportation functions.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets plus deferred outflows exceeded liabilities and deferred inflows by \$7,267,531 as of June 30, 2016. The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Liabilities are higher than in previous years due to the requirements of GASB 68, as more fully discussed in Note G.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

	Net Position for the period ending	
	June 30, 2016	June 30, 2015
Current Assets	\$ 5,535,113	\$ 3,182,980
Noncurrent Assets	<u>14,453,366</u>	<u>14,411,733</u>
Total Assets	<u>\$ 19,988,479</u>	<u>\$ 17,594,713</u>
Deferred Loss from Refunding Bonds	\$ 302,358	\$ 340,309
Deferred Amounts Related to Pensions	<u>1,270,930</u>	<u>494,169</u>
Total Deferred Outflows of Resources	<u>\$ 1,573,288</u>	<u>\$ 834,478</u>
Current Liabilities	\$ 1,868,488	\$ 1,142,495
Noncurrent Liabilities	<u>12,425,748</u>	<u>9,625,704</u>
Total Liabilities	<u>\$ 14,294,236</u>	<u>\$ 10,768,199</u>
Difference between projected and actual earnings	\$ 0	\$ 391,377
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 391,377</u>
Net investment in capital assets	\$ 7,011,537	\$ 8,241,175
Restricted	2,256,882	905,453
Unrestricted	<u>(2,000,888)</u>	<u>(1,877,013)</u>
Total Net Position	<u>\$ 7,267,531</u>	<u>\$ 7,269,615</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The General Fund's total revenues for the fiscal year ended June 30, 2016 were \$14,371,817.
- General fund budget compared to actual revenue varied slightly from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$260,065 more than budget. The categories with the largest difference from budgeted amounts were taxes (\$196,822 more than budget) and indirect federal funds (\$56,350 more than budget).
- The total cost of all General Fund programs and services was \$14,432,914.
- General fund budget compared to actual expenditures varied slightly from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted, and the contingency) being \$474,232 less than budget.
- One major difference in the budgeted revenues and expenditures when compared to actual amounts were the recording of payments made by the state of on behalf payments, such as matching teacher retirement and health insurance. These payments are not required to be budgeted; however, they are required to be recorded in order to comply with generally accepted accounting principles. The total payments made in the current year by the state on behalf of the district recorded in the general fund were \$3,200,960.

The following table presents a summary of governmental and business-type revenue and expense for the fiscal year ended June 30, 2016 as compared to the fiscal year ended June 30, 2015.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

	June 30, 2016	June 30, 2015
Program Revenues:		
Charges for services – food services	\$ 74,850	\$ 69,023
Charges for services – governmental	67,121	128,633
Operating grants – food services	1,337,883	1,187,369
Operating grants – governmental	5,951,883	5,781,258
Capital grants – governmental	<u>1,021,455</u>	<u>967,589</u>
Total Program Revenues	<u>8,453,192</u>	<u>8,133,872</u>
General Revenues:		
Taxes	3,253,800	3,202,639
Earnings on investments	22,033	26,851
State and formula grants	8,030,552	7,495,763
Gain (loss) on disposal of fixed assets	<u>(11,414)</u>	<u>820</u>
Total General Revenues	<u>11,294,971</u>	<u>10,726,073</u>
Total Revenues	<u>19,748,163</u>	<u>18,859,945</u>
Expenses:		
Instruction	11,606,267	11,232,348
Student support services	660,169	552,953
Instructional support	793,391	792,701
District administration	638,787	606,109
School administration	951,703	862,216
Business support	345,321	279,457
Plant operations	2,012,744	1,870,563
Student transportation	793,139	648,563
Community services	213,826	211,883
Other non-instructional	8,250	0
Interest on long term debt	171,672	191,980
Food service operation	1,347,106	1,158,759
Other Debt service	<u>70,276</u>	<u>12,464</u>
Total Expenses	<u>19,612,651</u>	<u>18,419,996</u>
Change in Net Position	135,512	439,949
Beginning Net Position	7,269,615	10,328,325
Prior period adjustment	<u>(137,596)</u>	<u>(3,498,659)</u>
Ending Net Position	<u>\$ 7,267,531</u>	<u>\$ 7,269,615</u>

General Fund Revenue

The majority of revenue was derived from state funding (\$11,286,113) making up 79% of total revenue and \$2,821,822 from local taxes (20%).

General Fund Expenditures

The largest category of expenditures was for instruction (61%), followed by plant operations and maintenance (11%), school administration support services (7%), district administration support services (5%), student transportation (5%), instructional staff support services (5%), student support services (4%), and business support services (2%).

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the District had \$14,453,366 invested in land, buildings, and equipment. Of that amount, \$14,169,284 is in governmental activities. There was no major increase in net capital assets during the fiscal year. Total additions to capital assets were \$811,946, while depreciation expense was \$744,562 in governmental activities, causing the net amount of noncurrent assets to increase by \$67,384.

See Note E for a breakdown of additions by class on page 29.

Debt Administration

The District had \$7,794,118 in bonds and capital leases payable outstanding on June 30, 2016. A total of \$760,963 is due within one year. Bond principal payments during the year were \$663,000, while KISTA principal payments were \$28,544. Bonds were issued for the principal amount of \$1,900,000.

See Note F on pages 30-31 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$1,167,912 in contingency (9%). The beginning general fund balance for beginning the fiscal year was \$1,881,379.

Mayfield Independent Public Schools received federal grants in the amount of \$1,584,966 and are awarded on an October 1 to September 30 period. They also received state grants in the amount of \$853,978 that are awarded on a July 1 through June 30 fiscal year period.

Questions regarding this report should be directed to the Superintendent Joe Henderson or by mail at 914 East College Street, Mayfield, KY 42066.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 3,969,146	\$ 927,082	\$ 4,896,228
Accounts receivable:			
Taxes - current	125,682	0	125,682
Taxes - delinquent	7,182	0	7,182
Accounts receivable	27,281	0	27,281
Interest receivable	1	0	1
Intergovernmental - state	439	0	439
Intergovernmental - indirect federal	236,303	109,025	345,328
Inventory	0	37,673	37,673
Prepaid expenses	92,957	0	92,957
Due from school activity funds	2,342	0	2,342
Total current assets	4,461,333	1,073,780	5,535,113
Noncurrent Assets:			
Capital assets	26,802,848	781,908	27,584,756
Less: Accumulated depreciation	(12,633,564)	(497,826)	(13,131,390)
Total noncurrent assets	14,169,284	284,082	14,453,366
TOTAL ASSETS	\$ 18,630,617	\$ 1,357,862	\$ 19,988,479
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	\$ 454,162	\$ 0	\$ 454,162
Less: Accumulated amortization	(151,804)	0	(151,804)
Pension contributions subsequent to measurement date	322,172	37,532	359,704
Difference between expected and actual experience	38,342	4,467	42,809
Net difference between projected and actual investment earnings on pension plan investments	41,359	4,818	46,177
Change of assumptions	465,251	54,200	519,451
Changes in proportion and differences between employer contributions and proportionate share of contributions	271,196	31,593	302,789
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 1,440,678	\$ 132,610	\$ 1,573,288
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 644,487	\$ 52,796	\$ 697,283
Due to student activity funds	684	0	684
Unearned grant revenue	325,921	0	325,921
Current portion of bond obligations	738,000	0	738,000
Less: Current portion of unamortized bond discount	(7,229)	0	(7,229)
Current portion of KISTA notes payable	22,963	0	22,963
Current portion of KSBIT payable	29,174	0	29,174
Current portion of accrued sick leave	19,627	1,051	20,678
Interest payable	41,014	0	41,014
Total current liabilities	1,814,641	53,847	1,868,488
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	6,996,000	0	6,996,000
Less: Noncurrent portion of unamortized bond discount	(42,702)	0	(42,702)
Noncurrent portion of KISTA notes payable	37,155	0	37,155
Noncurrent portion of KSBIT payable	116,693	0	116,693
Noncurrent portion of accrued sick leave	158,805	8,508	167,313
Net pension liability	4,613,804	537,485	5,151,289
Total noncurrent liabilities	11,879,755	545,993	12,425,748
TOTAL LIABILITIES	\$ 13,694,396	\$ 599,840	\$ 14,294,236
NET POSITION:			
Net investment in capital assets	\$ 6,727,455	\$ 284,082	\$ 7,011,537
Restricted for:			
Construction	1,459,144	0	1,459,144
Debt service	1,593	0	1,593
Food service	0	606,550	606,550
Other	189,595	0	189,595
Unrestricted	(2,000,888)	0	(2,000,888)
TOTAL NET POSITION	\$ 6,376,899	\$ 890,632	\$ 7,267,531

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 11,606,267	\$ 67,121	\$ 4,545,512	\$ 1,021,455	\$ (5,972,179)	\$ 0	\$ (5,972,179)
Support Services:							
Student	660,169	0	197,050	0	(463,119)	0	(463,119)
Instructional Staff	793,391	0	199,939	0	(593,452)	0	(593,452)
District Administration	638,787	0	43,117	0	(595,670)	0	(595,670)
School Administration	951,703	0	210,531	0	(741,172)	0	(741,172)
Business	345,321	0	103,922	0	(241,399)	0	(241,399)
Plant operations and maintenance	2,012,744	0	230,714	0	(1,782,030)	0	(1,782,030)
Student transportation	793,139	0	189,190	0	(603,949)	0	(603,949)
Community service activities	213,826	0	199,679	0	(14,147)	0	(14,147)
Other non-instruction	8,250	0	8,250	0	0	0	0
Interest on long-term debt	171,672	0	23,979	0	(147,693)	0	(147,693)
Other debt service	70,276	0	0	0	(70,276)	0	(70,276)
Total governmental activities	18,265,545	67,121	5,951,883	1,021,455	(11,225,086)	0	(11,225,086)
Business-Type Activities:							
Food service	1,347,106	74,850	1,337,883	0	0	65,627	65,627
Total business-type activities	1,347,106	74,850	1,337,883	0	0	65,627	65,627
Total primary government	\$ 19,612,651	\$ 141,971	\$ 7,289,766	\$ 1,021,455	(11,225,086)	65,627	(11,159,459)
General Revenues:							
Taxes:							
Property					2,266,309	0	2,266,309
Motor Vehicle					261,847	0	261,847
Utilities					569,148	0	569,148
In Lieu of					156,496	0	156,496
Earnings on Investments					15,188	6,845	22,033
State and formula grants					8,030,552	0	8,030,552
Gain (loss) on disposal of fixed assets					(11,414)	0	(11,414)
Change in net position					63,040	72,472	135,512
Net position at July 1, 2015					6,077,383	1,192,232	7,269,615
Prior period adjustment - Note P					236,476	(374,072)	(137,596)
Net position at June 30, 2016					\$ 6,376,899	\$ 890,632	\$ 7,267,531

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 1,766,524	\$ 135,362	\$ 1,876,072	\$ 191,188	\$ 3,969,146
Accounts receivable:					
Taxes - current	125,682	0	0	0	125,682
Taxes - delinquent	7,182	0	0	0	7,182
Accounts receivable	26,904	377	0	0	27,281
Interest receivable	1	0	0	0	1
Intergovernmental - state	0	439	0	0	439
Intergovernmental - indirect federal	3,057	233,246	0	0	236,303
Due from school activity funds	2,342	0	0	0	2,342
Prepaid expenses	92,957	0	0	0	92,957
TOTAL ASSETS AND RESOURCES	\$ 2,024,649	\$ 369,424	\$ 1,876,072	\$ 191,188	\$ 4,461,333
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 184,056	\$ 43,503	\$ 416,928	\$ 0	\$ 644,487
Due to student activity funds	684	0	0	0	684
Unearned grant revenue	0	325,921	0	0	325,921
Current portion of accrued sick leave	19,627	0	0	0	19,627
TOTAL LIABILITIES	204,367	369,424	416,928	0	990,719
FUND BALANCES:					
Nonspendable:					
Prepays	92,957	0	0	0	92,957
Restricted:					
Construction	0	0	1,459,144	0	1,459,144
Debt service	0	0	0	1,593	1,593
Other	0	0		189,595	189,595
Unassigned	1,727,325	0	0	0	1,727,325
TOTAL FUND BALANCES	1,820,282	0	1,459,144	191,188	3,470,614
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,024,649	\$ 369,424	\$ 1,876,072	\$ 191,188	\$ 4,461,333

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balance per fund financial statements		\$3,470,614
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	26,802,848	
Accumulated depreciation	<u>(12,633,564)</u>	14,169,284
Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet		
Deferred loss from refunding bonds	302,358	
Pension contributions subsequent to measurement date	322,172	
Difference between expected and actual experience	38,342	
Net difference between projected and actual investment earnings on pension plan investments	41,359	
Change of assumptions	465,251	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>271,196</u>	1,440,678
Certain liabilities are not reported in the fund financial statements because they are not due and payable, but they are presented in the statement of net position.		
Interest payable		(41,014)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(7,684,069)	
KISTA notes payable	(60,118)	
KSBIT payable	(145,867)	
Net pension liability	(4,613,804)	
Accrued sick leave payable	<u>(158,805)</u>	<u>(12,662,663)</u>
Net position for governmental activities		<u><u>\$ 6,376,899</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 1,879,921	\$ 0	\$ 0	\$ 386,388	\$ 2,266,309
Motor Vehicle	261,847	0	0	0	261,847
Utilities	569,148	0	0	0	569,148
In Lieu of	110,906	0	0	0	110,906
Earnings on Investments	15,165	0	13	10	15,188
Other local revenues	17,627	116,214	0	0	133,841
Intergovernmental - State	11,286,113	853,978	0	1,045,434	13,185,525
Intergovernmental - indirect federal	231,090	1,584,966	0	0	1,816,056
TOTAL REVENUES	14,371,817	2,555,158	13	1,431,832	18,358,820
EXPENDITURES:					
Current:					
Instruction	8,846,433	2,158,417	0	0	11,004,850
Support Services:					
Student	626,543	0	0	0	626,543
Instructional Staff	690,319	155,037	0	0	845,356
District Administration	718,595	0	0	0	718,595
School Administration	931,861	0	0	0	931,861
Business	302,709	0	0	0	302,709
Plant operations and maintenance	1,612,670	69,410	0	0	1,682,080
Student transportation	703,784	0	0	0	703,784
Community service activities	0	199,679	0	0	199,679
Other non-instruction	0	8,250	0	0	8,250
Facilities acquisition and construction	0	0	416,928	374,479	791,407
Debt service	0	0	0	832,113	832,113
TOTAL EXPENDITURES	14,432,914	2,590,793	416,928	1,206,592	18,647,227
Excess (deficit) of revenues over expenditures	(61,097)	(35,635)	(416,915)	225,240	(288,407)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds	0	0	1,854,588	0	1,854,588
Operating transfers in	0	35,635	0	766,088	801,723
Operating transfers out	0	0	0	(801,723)	(801,723)
TOTAL OTHER FINANCING SOURCES (USES)	0	35,635	1,854,588	(35,635)	1,854,588
Net change in fund balance	(61,097)	0	1,437,673	189,605	1,566,181
Fund Balance, July 1, 2015	1,881,379	0	21,471	1,583	1,904,433
Fund Balance, June 30, 2016	\$ 1,820,282	\$ 0	\$ 1,459,144	\$ 191,188	\$ 3,470,614

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net change in total fund balances per fund financial statements	\$ 1,566,181
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense for the year.

Depreciation expense	(744,562)	
Capital outlays	<u>823,360</u>	78,798

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Gain (loss) on the disposal of fixed assets	<u>(11,414)</u>	(11,414)
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Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond proceeds	(1,854,588)	
Bond Principal paid	691,544	
Note principal paid	<u>29,174</u>	(1,133,870)

Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.

Amortization of deferred loss on early retirement of debt	(37,951)	
Amortization of bond discounts	<u>(70,276)</u>	(108,227)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	6,848	
Pension expense	(308,547)	
Accrued sick leave	<u>(26,729)</u>	<u>(328,428)</u>

Change in net position of governmental activities	<u><u>\$ 63,040</u></u>
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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Food Service Fund
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 927,082
Accounts receivable:	
Intergovernmental - indirect federal	109,025
Inventory	37,673
Total current assets	<u>1,073,780</u>
Noncurrent Assets	
Capital assets	781,908
Less: accumulated depreciation	<u>(497,826)</u>
Total noncurrent assets	<u>284,082</u>
 TOTAL ASSETS	 <u><u>\$ 1,357,862</u></u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension contributions subsequent to measurement date	\$ 37,532
Difference between expected and actual experience	4,467
Net difference between projected and actual investment earnings on pension plan investments	4,818
Change of assumptions	54,200
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>31,593</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 132,610</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ 52,796
Current portion of accrued sick leave	1,051
Total current liabilities	<u>53,847</u>
Noncurrent Liabilities	
Noncurrent portion of accrued sick leave	8,508
Net pension liability	537,485
Total noncurrent liabilities	<u>545,993</u>
 TOTAL LIABILITIES	 <u><u>\$ 599,840</u></u>
Net Position	
Net investment in capital assets	\$ 284,082
Restricted for food service	<u>606,550</u>
 TOTAL NET POSITION	 <u><u>\$ 890,632</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 69,610
Other operating revenues	5,240
Total operating revenues	<u>74,850</u>
Operating Expenses:	
Salaries and benefits	566,135
Contract services	58,965
Materials and supplies	639,529
Depreciation	53,206
Expendable equipment	29,238
Other operating expenses	33
Total operating expenses	<u>1,347,106</u>
Operating income (loss)	<u>(1,272,256)</u>
Non-Operating Revenues (Expenses):	
Federal grants	1,186,116
Donated commodities	70,019
State grants	81,748
Interest income	6,845
Total non-operating revenues	<u>1,344,728</u>
Change in net position	72,472
Net Position, July 1, 2015	1,192,232
Prior Period Adjustment - Note P	<u>(374,072)</u>
Net Position, June 30, 2016	<u><u>\$ 890,632</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 69,610
Other operating revenues	5,240
Cash paid to/for:	
Employees	(465,656)
Contract services	(57,354)
Materials and supplies	(517,092)
Expendable equipment	(29,238)
Other operating expenses	(33)
Net cash provided by (used in) operating activities	<u>(994,523)</u>
Cash Flows from Non-Capital Financing Activities:	
Operating grants received	<u>1,113,981</u>
Net cash provided by (used in) non-capital financing activities	<u>1,113,981</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	<u>(27,455)</u>
Net cash provided by (used in) capital and related financing activities	<u>(27,455)</u>
Cash Flows from Investing Activities:	
Interest income received	<u>6,845</u>
Net cash provided by (used in) investing activities	<u>6,845</u>
Net increase (decrease) in cash and cash equivalents	98,848
Cash and cash equivalents, July 1, 2015	<u>828,234</u>
Cash and cash equivalents, June 30, 2016	<u><u>\$ 927,082</u></u>
Reconciliation of operating income (loss)	
to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (1,272,256)
Adjustments to reconcile operating income (loss) to	
net cash provided by (used in) operating activities:	
Depreciation	53,206
Commodities used	70,019
On-behalf payments	71,093
Changes in assets and liabilities:	
Inventory	12,615
Deferred outflows of resources	(94,942)
Accounts payable	41,414
Accrued sick leave	(1,417)
Net pension liability	167,090
Deferred inflows of resources	(41,345)
Net cash provided by (used in) operating activities	<u><u>\$ (994,523)</u></u>
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 70,019
On-behalf payments	71,093
Total Non-Cash Investing, Capital, and Financing Activities	<u><u>\$ 141,112</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 73,064	\$ 101,215
Accounts receivable	0	15,341
Due from Board General Fund	<u>0</u>	<u>684</u>
Total Assets	<u><u>\$ 73,064</u></u>	<u><u>\$ 117,240</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 1,519
Due to Board General Fund	0	2,342
Due to student groups	<u>0</u>	<u>113,379</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 117,240</u></u>
 NET POSITION HELD IN TRUST	<u><u>\$ 73,064</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2016

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	\$ 107
Contributions received	<u>20,522</u>
Total Additions	<u>20,629</u>
 Deductions:	
Benefits paid	<u>31,858</u>
Total Deductions	<u>31,858</u>
Change in net position	(11,229)
Net position, July 1, 2015	<u>84,293</u>
Net position, June 30, 2016	<u><u>\$ 73,064</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2016

NOTE A – REPORTING ENTITY

The Mayfield Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Mayfield Independent School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Mayfield Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Mayfield Independent School District Finance Corporation – In 1991, the Mayfield Independent Board of Education resolved to authorize the establishment of the Mayfield Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Mayfield Independent Board of Education also comprise the Corporation’s Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 56. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$70,019 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (Redbook).
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2016, to finance operations were \$.694 per \$100 valuation for real property, \$.694 per \$100 valuation for business personal property and \$.689 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2016 consisted of fleet, property, umbrella, and fidelity and blanket bonds paid during the fiscal year ended June 30, 2016 that included coverage for periods beyond June 30, 2016.

Debt Costs

Unamortized discounts of \$49,931 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 18, 2012 meeting the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The guidelines established a capitalization threshold of \$5,000 for real or personal property. The District chose to retain the exception relating to computer workstations, which are still capitalized regardless of value. Larger thresholds apply to buildings and building improvements (\$15,000) and leasehold improvements (\$50,000). Improvements to land and to buildings in excess of the above limits are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations - Continued

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2016.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 11, 2016, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$5,070,507. The bank balance was \$5,550,828. Of the bank balance, \$251,593 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$5,299,235 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

Governmental Activities	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital Assets:				
Land and improvements	\$ 1,603,259	\$ 0	\$ 0	\$ 1,603,259
Buildings and improvements	19,332,828	865,030	0	20,197,858
Technology equipment	1,905,312	0	118,144	1,787,168
Vehicles	1,324,343	85,494	0	1,409,837
General Equipment	1,075,134	220,627	8,274	1,287,487
Construction	865,030	517,239	865,030	517,239
Totals at historical cost	<u>26,105,906</u>	<u>1,688,390</u>	<u>991,448</u>	<u>26,802,848</u>
Less: Accumulated depreciation				
Land and improvements	601,410	6,503	0	607,913
Buildings and improvements	8,324,522	406,865	0	8,731,387
Technology equipment	1,549,117	153,180	108,707	1,593,590
Vehicles	972,860	72,129	0	1,044,989
General equipment	556,097	105,885	6,297	655,685
Total accumulated depreciation	<u>12,004,006</u>	<u>744,562</u>	<u>115,004</u>	<u>12,633,564</u>
Governmental Activities Capital Assets - Net	<u>\$ 14,101,900</u>	<u>\$ 943,828</u>	<u>\$ 876,444</u>	<u>\$ 14,169,284</u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 27,583	\$ 0	\$ 0	\$ 27,583
General Equipment	726,870	27,455	0	754,325
Totals at historical cost	<u>754,453</u>	<u>27,455</u>	<u>0</u>	<u>781,908</u>
Less: Accumulated depreciation				
Technology equipment	25,350	655	0	26,005
General Equipment	419,270	52,551	0	471,821
Total accumulated depreciation	<u>444,620</u>	<u>53,206</u>	<u>0</u>	<u>497,826</u>
Business-Type Activities Capital Assets - Net	<u>\$ 309,833</u>	<u>\$ (25,751)</u>	<u>\$ 0</u>	<u>\$ 284,082</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 493,576
Student support services	24,896
Instructional staff support services	15,285
District administration	19,314
School administration	1,181
Business	32,122
Plant operation and maintenance	102,587
Student transportation	55,091
Community services	510
Total depreciation expense	<u>\$ 744,562</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Mayfield Independent School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Mayfield Independent School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

Following is a schedule of obligations existing at June 30, 2016:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
September 1, 2006 KISTA	September 1, 2017	3.500% - 3.875%	\$ 6,869
February 1, 2008 refunding	February 1, 2017	2.350% - 3.125%	100,000
January 1, 2009 KISTA	January 1, 2019	2.000% - 3.900%	21,765
December 1, 2009 KISTA	December 1, 2019	2.000% - 3.600%	31,484
March 20, 2012, refunding	March 1, 2024	0.600% - 2.300%	5,200,000
February 1, 2014	February 1, 2034	1.500% - 4.000%	534,000
June 1, 2016	June 1, 2036	1.000% - 3.000%	1,900,000
			<u>\$ 7,794,118</u>

In 1997 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On March 20, 2012, the District issued bonds to currently refund all outstanding 2001 School Building Revenue Bonds and to advance refund on March 1, 2014 the outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after March 1, 2017. The defeased bonds were paid during a previous year. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$454,162. Amortization for the year was \$37,951 and is included as a component of interest expense.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE F – GENERAL LONG-TERM OBLIGATIONS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2016 for debt service (principal and interest) are as follows:

Year	Mayfield Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2016-2017	\$ 716,004	\$ 139,224	\$ 44,959	\$ 20,721	\$ 920,908
2017-2018	715,091	132,529	39,108	19,993	906,721
2018-2019	719,067	123,146	39,304	19,436	900,953
2019-2020	732,036	111,508	39,549	18,832	901,925
2020-2021	729,139	97,256	40,861	17,825	885,081
2021-2022	748,822	82,674	42,178	16,782	890,456
2022-2023	758,482	67,033	42,518	15,689	883,722
2023-2024	783,120	50,517	43,880	14,571	892,088
2024-2025	90,000	32,775	28,000	13,400	164,175
2025-2026	90,000	30,975	29,000	12,280	162,255
2026-2027	95,000	29,175	30,000	11,120	165,295
2027-2028	95,000	27,037	31,000	9,920	162,957
2028-2029	100,000	24,900	33,000	8,680	166,580
2029-2030	100,000	22,650	34,000	7,360	164,010
2030-2031	100,000	19,650	35,000	6,000	160,650
2031-2032	105,000	16,650	37,000	4,600	163,250
2032-2033	110,000	13,500	38,000	3,120	164,620
2033-2034	110,000	10,200	40,000	1,600	161,800
2034-2035	115,000	6,900	0	0	121,900
2035-2036	115,000	3,450	0	0	118,450
	<u>\$ 7,126,761</u>	<u>\$ 1,041,749</u>	<u>\$ 667,357</u>	<u>\$ 221,929</u>	<u>\$ 9,057,796</u>

Interest incurred and charged to expense for fiscal year ended June 30, 2016 was \$171,672.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
Bonds payable	\$ 6,497,000	\$1,900,000	\$ 663,000	\$ 7,734,000	\$ 738,000
Less: Unamortized discounts	(74,795)	0	(24,864)	(49,931)	(7,229)
Capital lease - KISTA	88,662	0	28,544	60,118	22,963
KSBIT payable	175,041	0	29,174	145,867	29,174
Sick leave	<u>148,400</u>	<u>33,095</u>	<u>3,063</u>	<u>178,432</u>	<u>19,627</u>
Totals	<u>\$ 6,834,308</u>	<u>\$1,933,095</u>	<u>\$ 698,917</u>	<u>\$ 8,068,486</u>	<u>\$ 802,535</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE G – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General Information About the County Employees Retirement System Non-Hazardous ("CERS")

Plan Description - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

The Kentucky Retirement Systems Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for members receiving benefits from CERS (as well as KERS and SPRS which are other plans administered by KRS). The insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the Insurance Fund varies based on years of service.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained from <http://kyret.ky.gov/> or by writing or calling the plan.

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124
(502) 564-4646

Benefits Provided - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE G – RETIREMENT PLANS - CONTINUED

General Information About the County Employees Retirement System Non-Hazardous ("CERS") (Continued)

Benefits Provided (Continued) - Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five year's earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The employer contribution plan rate was 17.06% for the year ended June 30, 2016. The required contribution rate is made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. The rate for the insurance fund is 4.64% and the rate for the pension fund is 12.42%.

General Information About the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan description - Teaching certified employees of the District and other employees whose position require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at www.ktrs.ky.gov/financial-reports-information/.

Benefits Provided - For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE G – RETIREMENT PLANS - CONTINUED

General Information About the Teachers' Retirement System of the State of Kentucky ("KTRS") (Continued)

Benefits Provided (Continued) - Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan Description - In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE G – RETIREMENT PLANS – CONTINUED

Medical Insurance Plan (Continued)

Funding Policy - In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 5,151,289
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>55,068,704</u>
	<u>\$ 60,219,993</u>

The net pension liability for each plan was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District's proportion was .119811% of the total liability of CERS.

For the year ended June 30, 2016, the District recognized pension expense of \$699,054 related to CERS and \$1,138,896 related to KTRS. The District also recognized revenue of \$1,138,896 for KTRS support provided by the Commonwealth. At June 30, 2016, the District did not report any deferred inflows of resources. The District reported deferred outflows of resources related to pensions from the following sources:

	Governmental Activities	Business-Type Activities
Difference between expected and actual experience	\$ 38,342	\$ 4,467
Net difference between projected and actual investment earnings on pension plan investments	41,359	4,818
Change of assumptions	465,251	54,200
Changes in proportion and differences between employer contributions and proportionate share of contributions	271,196	31,593
Pension contributions subsequent to the measurement date	<u>322,172</u>	<u>37,532</u>
Total	<u>\$ 1,138,320</u>	<u>\$ 132,610</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE G – RETIREMENT PLANS – CONTINUED

Deferred outflows of resources in governmental activities of \$322,172 and in business-type activities of \$37,532 related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ 254,289	\$ 29,624
2018	254,289	29,624
2019	159,366	18,566
2020	148,204	17,264

The net pension liability as of June 30, 2016 is based on the June 30, 2015 actuarial valuation. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience and change in assumptions are amortized over a period of 3.51 years.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.50%
Projected salary increases, including inflation	4.0% average	4.0-8.2%
Investment rate of return, net of investment expense, including inflation	7.5%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE G – RETIREMENT PLANS – CONTINUED

For KTRS, the RP-2000 Combined Mortality Table projected to 2020 using scale AA (set back one year for females) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table (set back seven years for males and set forward five years for females) is used for death after disability retirement. Mortality improvements are anticipated under these assumptions as recent mortality experience shows actual deaths are approximately 4% greater for healthy lives and 5% greater for disabled lives than expected under the selected tables. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

Discount Rate - For CERS, the discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Cash Equivalent Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.4%
Combined Fixed Income	19.0%	1.5%
Real Return (Diversified Inflation Strategies)	10.0%	3.5%
Real Estate	5.0%	4.5%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.5%
Cash Equivalent	2.0%	(.25)%
Total	<u>100.0%</u>	

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE G – RETIREMENT PLANS – CONTINUED

For KTRS, the discount rate used to measure the total pension liability was 4.88%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67 and assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2039 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement date, so as required under GASB 68, the SEIR at the Measurement Date of 4.88% was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.82%). This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68.

Sensitivity of CERS and KTRS proportionate share of the net pension liability to changes in the discount rate - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$6,576,280	\$5,151,289	\$3,930,939
KTRS	3.88%	4.88%	5.88%
District's proportionate share of net pension liability	\$0	\$0	\$0

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2016:

Contributions to Kentucky Teachers' Retirement System	\$ 1,138,896
Technology	55,744
SFCC Debt Service	66,025
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>2,077,413</u>
Total	<u>\$ 3,338,078</u>

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION (Continued)

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 2,250,944
Support services:	
Student	197,050
Instructional staff	44,902
District administration	43,117
School administration	210,531
Business	103,922
Plant operations and maintenance	161,304
Student transportation	189,190
Debt service	66,025
Food service	71,093
Total	<u>\$ 3,338,078</u>

NOTE I – COMMITMENTS AND CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

NOTE J – INSURANCE AND RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K - COBRA

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION

In May, 2016, the District received bids and approved the awarding of a contract for HVAC renovations at Mayfield Middle School in the amount of \$1,597,000. During the year, \$397,260 was billed on this contract and was included in accounts payable and construction in progress.

NOTE M – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, food service funds, and private purpose trust funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2016, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Agency Fund	\$ 2,342	\$ 684
Agency Fund:		
General Fund	684	2,342

NOTE N - TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	FSPK	Special Revenue	Technology Match	\$ 35,635
Operating	FSPK	Debt Service	Debt Service	766,088

NOTE O – SUBSEQUENT EVENTS

At a meeting in July, 2016, the Board accepted bids and awarded a contract for flooring replacement at the Career and Technical Center in the amount of \$74,200.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2016

NOTE P – PRIOR PERIOD ADJUSTMENT

Effective July 1, 2014 the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

In the prior year, the GASB 68 related accounts were not allocated to the food service fund. After receiving clarification from KDE, the prior year amounts were allocated to the food service fund. Also, KRS posted percentages of pension plan contributions that should be allocated to insurance expense; therefore, the beginning balance for deferred outflows related to pension contributions was adjusted. The adjustment to the beginning net position was as follows:

	Governmental Activities	Business-Type Activities
Net Position, Beginning of Year, as Originally Stated	\$ 6,077,383	\$ 1,192,232
Adjustments for Prior Period:		
Allocation of net pension liability	370,395	(370,395)
Allocation of deferred inflows	41,345	(41,345)
Allocation of deferred outflows	(37,668)	37,668
Insurance portion of prior year pension contributions	(137,596)	0
Net Position, Beginning of Year, as Restated	<u>\$ 6,313,859</u>	<u>\$ 818,160</u>

REQUIRED SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,800,000	\$ 1,800,000	\$ 1,879,921	\$ 79,921
Motor Vehicle	220,000	220,000	261,847	41,847
Utilities	600,000	600,000	569,148	(30,852)
In Lieu of	5,000	5,000	110,906	105,906
Earnings on Investments	20,000	20,000	15,165	(4,835)
Other local revenues	15,000	15,000	17,627	2,627
Intergovernmental - State	7,628,972	8,076,052	11,286,113	3,210,061
Intergovernmental - Indirect Federal	174,740	174,740	231,090	56,350
TOTAL REVENUES	10,463,712	10,910,792	14,371,817	3,461,025
EXPENDITURES:				
Current:				
Instruction	6,787,118	6,805,859	8,846,433	(2,040,574)
Support Services:				
Student	417,985	417,985	626,543	(208,558)
Instructional Staff	716,429	716,429	690,319	26,110
District Administration	598,715	578,044	718,595	(140,551)
School Administration	746,861	749,861	931,861	(182,000)
Business	151,132	196,403	302,709	(106,306)
Plant operations and maintenance	1,623,695	1,623,695	1,612,670	11,025
Student transportation	617,910	617,910	703,784	(85,874)
Contingency	767,173	1,167,912	0	1,167,912
TOTAL EXPENDITURES	12,427,018	12,874,098	14,432,914	(1,558,816)
Excess (deficit) of revenues over expenditures	<u>(1,963,306)</u>	<u>(1,963,306)</u>	<u>(61,097)</u>	<u>1,902,209</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(36,694)	(36,694)	0	36,694
TOTAL OTHER FINANCING SOURCES (USES)	(36,694)	(36,694)	0	36,694
Net change in fund balance	(2,000,000)	(2,000,000)	(61,097)	1,938,903
Fund Balance, July 1, 2015	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,881,379</u>	<u>(118,621)</u>
Fund Balance, June 30, 2016	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,820,282</u></u>	<u><u>\$ 1,820,282</u></u>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$3,200,960 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Other local revenues	\$ 72,690	\$ 12,764	\$ 116,214	\$ 103,450
Intergovernmental - State	727,415	943,508	853,978	(89,530)
Intergovernmental - Indirect federal	1,478,682	1,480,810	1,584,966	104,156
TOTAL REVENUES	<u>2,278,787</u>	<u>2,437,082</u>	<u>2,555,158</u>	<u>118,076</u>
EXPENDITURES:				
Current:				
Instruction	1,983,227	2,069,748	2,158,417	(88,669)
Support Services:				
Instructional Staff	176,518	174,400	155,037	19,363
Plant operations and maintenance	0	63,674	69,410	(5,736)
Community service activities	155,736	155,385	199,679	(44,294)
Other non-instruction	0	9,510	8,250	1,260
TOTAL EXPENDITURES	<u>2,315,481</u>	<u>2,472,717</u>	<u>2,590,793</u>	<u>(118,076)</u>
Excess (deficit) of revenues over expenditures	<u>(36,694)</u>	<u>(35,635)</u>	<u>(35,635)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	36,694	78,243	35,635	(42,608)
Operating transfers out	0	(42,608)	0	42,608
TOTAL OTHER FINANCING SOURCES (USES)	<u>36,694</u>	<u>35,635</u>	<u>35,635</u>	<u>0</u>
Net change in fund balance	0	0	0	0
Fund Balance, July 1, 2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2016	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST TWO FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.119811%	0.108070%
District's proportionate share of the net pension liability	\$ 5,151,289	\$ 3,506,205
District's covered-employee payroll	\$ 2,802,413	\$ 2,506,148
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.82%	139.90%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is based on the last measurement date of the net pension liability.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS)
LAST TWO FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0%	0%
District's proportionate share of the net pension liability	\$ 0	\$ 0
Commonwealth's proportion of the net pension liability	0.236600%	0.232500%
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 55,068,704	\$ 47,773,793
District's covered-employee payroll	\$ 7,683,219	\$ 7,301,694
District's proportionate share of the net pension liability	0%	0%
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered-employee payroll	716.74%	654.28%
Plan fiduciary net position as a percentage of the total pension liability	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is based on the last measurement date of the net pension liability.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST TEN FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 359,704	\$ 356,573	\$ 344,344
Contributions in relation to the contractually required contribution	<u>359,704</u>	<u>356,573</u>	<u>344,344</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 2,897,377	\$ 2,802,413	\$ 2,506,148
Contributions as a percentage of covered-employee payroll	12.41%	12.72%	13.74%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Changes of Benefit Terms:

None

Changes of Assumptions:

The assumed investment rate of return was decreased from 7.75% to 7.5%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

See Notes to Financial Statements

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 457,442	\$ 437,453	\$ 389,879	\$ 364,277	\$ 293,643	\$ 346,175	\$ 267,832
<u>457,442</u>	<u>437,453</u>	<u>389,879</u>	<u>364,277</u>	<u>293,643</u>	<u>346,175</u>	<u>267,832</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$2,341,032	\$2,307,361	\$2,288,398	\$2,254,190	\$2,175,139	\$2,140,858	\$2,030,566
19.54%	18.96%	17.04%	16.16%	13.50%	16.17%	13.19%

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS)
LAST TEN FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,263,894	\$ 1,240,783	\$ 976,636
District's contributions in relation to the contractually required contribution - federal programs	124,998	114,980	106,512
Commonwealth's contributions in relation to the contractually required contribution	<u>1,138,896</u>	<u>1,125,803</u>	<u>870,124</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 7,809,190	\$ 7,683,219	\$ 7,301,694
Contributions as a percentage of District's covered-employee payroll	16.18%	16.15%	13.38%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Changes of Benefit Terms:

None

Changes of Assumptions:

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

See Notes to Financial Statements

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 949,081	\$ 888,895	\$ 862,407	\$ 888,895	\$ 863,873	\$ 884,718	\$ 819,032
99,287	96,558	152,231	132,653	103,395	95,897	81,261
<u>849,794</u>	<u>792,337</u>	<u>710,176</u>	<u>756,242</u>	<u>760,478</u>	<u>788,821</u>	<u>737,771</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$7,126,172	\$6,695,350	\$6,520,622	\$6,693,539	\$6,580,210	\$6,751,163	\$6,255,217
13.32%	13.28%	13.23%	13.28%	13.13%	13.10%	13.09%

OTHER SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 32,925	\$ 156,670	\$ 1,593	\$ 191,188
TOTAL ASSETS AND RESOURCES	<u>\$ 32,925</u>	<u>\$ 156,670</u>	<u>\$ 1,593</u>	<u>\$ 191,188</u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EQUITY AND FUND BALANCES:				
Restricted:				
Debt service	0	0	1,593	1,593
Other	32,925	156,670	0	189,595
TOTAL FUND BALANCES	<u>32,925</u>	<u>156,670</u>	<u>1,593</u>	<u>191,188</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 32,925</u>	<u>\$ 156,670</u>	<u>\$ 1,593</u>	<u>\$ 191,188</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 386,388	\$ 0	\$ 0	\$ 386,388
Earnings on Investments	0	0	10	10
Intergovernmental - State	822,739	156,670	66,025	1,045,434
TOTAL REVENUES	<u>1,209,127</u>	<u>156,670</u>	<u>66,035</u>	<u>1,431,832</u>
EXPENDITURES:				
Facilities acquisition and construction	374,479	0	0	374,479
Debt service	0	0	832,113	832,113
TOTAL EXPENDITURES	<u>374,479</u>	<u>0</u>	<u>832,113</u>	<u>1,206,592</u>
Excess (deficit) of revenues over expenditures	<u>834,648</u>	<u>156,670</u>	<u>(766,078)</u>	<u>225,240</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	766,088	766,088
Operating transfers out	<u>(801,723)</u>	<u>0</u>	<u>0</u>	<u>(801,723)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(801,723)</u>	<u>0</u>	<u>766,088</u>	<u>(35,635)</u>
Net change in fund balance	32,925	156,670	10	189,605
Fund Balance, July 1, 2015	0	0	1,583	1,583
Fund Balance, June 30, 2016	<u><u>\$ 32,925</u></u>	<u><u>\$ 156,670</u></u>	<u><u>\$ 1,593</u></u>	<u><u>\$ 191,188</u></u>

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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Year Ended June 30, 2016

	2004 BONDS FUND	2008 BONDS FUND	2012 BONDS FUND	2014 BONDS FUND	KISTA	Totals Debt service Fund
REVENUES:						
Earnings on investments	\$ 10	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10
Intergovernmental - State	12,670	7,234	4,599	41,522	0	66,025
TOTAL REVENUES	12,680	7,234	4,599	41,522	0	66,035
EXPENDITURES:						
Debt Service:						
Principal	445,000	90,000	105,000	23,000	28,544	691,544
Interest	15,575	5,915	97,465	18,522	3,092	140,569
TOTAL EXPENDITURES	460,575	95,915	202,465	41,522	31,636	832,113
Excess (deficit) of revenues over expenditures	(447,895)	(88,681)	(197,866)	0	(31,636)	(766,078)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	447,905	88,681	197,866	0	31,636	766,088
TOTAL OTHER FINANCING SOURCES (USES)	447,905	88,681	197,866	0	31,636	766,088
Net change in fund balance	10	0	0	0	0	10
Fund balance July 1, 2015	1,519	39	25	0	0	1,583
Fund balance June 30, 2016	<u>\$ 1,529</u>	<u>\$ 39</u>	<u>\$ 25</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,593</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET - SCHOOL ACTIVITY FUNDS
June 30, 2016

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum Only)
ASSETS:				
Cash and cash equivalents	\$ 17,894	\$ 40,982	\$ 42,339	\$ 101,215
Accounts Receivable	615	115	14,611	15,341
Due from Board General Fund	0	0	684	684
TOTAL ASSETS	<u><u>\$ 18,509</u></u>	<u><u>\$ 41,097</u></u>	<u><u>\$ 57,634</u></u>	<u><u>\$ 117,240</u></u>
LIABILITIES:				
Accounts Payable	\$ 357	\$ 643	\$ 519	\$ 1,519
Due to Board General Fund	312	528	1,502	2,342
Due to Student Groups	17,840	39,926	55,613	113,379
TOTAL LIABILITIES	<u><u>\$ 18,509</u></u>	<u><u>\$ 41,097</u></u>	<u><u>\$ 57,634</u></u>	<u><u>\$ 117,240</u></u>
NET POSITION HELD IN TRUST	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS**

For the Year Ended June 30, 2016

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum only)
REVENUES:				
From local sources:				
Earnings on Investments	\$ 56	\$ 117	\$ 168	\$ 341
Student activities	52,995	112,388	461,090	626,473
Total Revenues	53,051	112,505	461,258	626,814
EXPENDITURES				
Student Activities	58,056	107,458	444,564	610,078
Total expenditures	58,056	107,458	444,564	610,078
Net change in due to student groups	(5,005)	5,047	16,694	16,736
Due to student groups, July 1, 2015	22,845	34,879	38,919	96,643
Due to student groups, June 30, 2016	<u>\$ 17,840</u>	<u>\$ 39,926</u>	<u>\$ 55,613</u>	<u>\$ 113,379</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT - ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS
Mayfield High School
For the Year Ended June 30, 2016

	Cash Balance	Receipts		Disbursements	
	July 1, 2015	Actual	Budget	Actual	Budget
General Fund	\$ 3,828.48	\$ 19,603.80	\$ 4,000.00	\$ 22,616.37	\$ 3,900.00
Build a Bed	3.20	0.00	1,400.00	3.20	1,400.00
Cardinals Closet	159.14	264.00	200.00	191.37	200.00
Student Council	297.04	814.30	350.00	668.13	350.00
Physics Class	2,019.34	0.00	0.00	305.20	2,019.00
Drama	142.06	2,161.30	50.00	1,681.99	425.00
Teacher Fund	927.83	581.99	950.00	1,426.15	850.00
Pure Cardinals	760.01	1,100.00	400.00	1,176.57	190.00
Cultural Diversity	0.00	8,732.64	7,300.00	7,468.19	6,850.00
Beta Club	163.51	1,163.00	900.00	1,117.48	900.00
Foreign Language	79.35	20.00	50.00	47.71	50.00
Key Club	346.94	80.00	300.00	0.00	300.00
FCA	51.39	269.00	250.00	269.00	250.00
FCCLA	9.08	100.00	423.00	0.00	300.00
FMD	256.90	600.00	270.00	235.08	200.00
Band	1,075.01	33,534.00	3,655.00	33,135.45	3,004.00
Sunshine Fund	489.99	700.00	725.00	1,172.22	665.00
Athletics	9,420.93	366,679.46	87,075.00	361,426.21	93,744.00
Class of 2016	1,378.52	0.00	0.00	1,311.04	300.00
Class of 2017	0.00	4,838.41	0.00	4,838.41	0.00
Guidance	6,782.48	6,759.00	7,150.00	6,951.56	4,535.00
WMCTV	295.75	478.00	180.00	382.68	526.00
Special Olympics	547.99	300.00	0.00	10.00	430.00
Library Activities	226.86	509.64	200.00	412.35	600.00
Arts and Humanities	391.00	0.00	0.00	0.00	350.00
AP History	82.25	3,853.00	2,500.00	3,922.79	2,500.00
Shakespeare & Peers	1,237.91	118.00	1,000.00	0.00	900.00
Rotary Interact	63.34	0.00	150.00	0.00	150.00
Beatnik Café	554.90	152.00	30.00	0.00	25.00
Publications	5,638.69	7,562.00	4,500.00	8,111.87	8,900.00
Sportsman Club	2,616.39	1,363.00	1,700.00	963.17	1,800.00
Subtotal	39,846.28	462,336.54	125,708.00	459,844.19	136,613.00
Less: Interfund Transfers	0.00	14,495.16	0.00	14,495.16	0.00
Total	\$ 39,846.28	\$ 447,841.38	\$ 125,708.00	\$ 445,349.03	\$ 136,613.00

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2016	Accounts Receivable	Accounts Payable	Due to June 30, 2016
General Fund	\$ 815.91	\$ 783.77	\$ 141.00	\$ 1,458.68
Build a Bed	0.00	0.00	0.00	0.00
Cardinals Closet	231.77	0.00	0.00	231.77
Student Council	443.21	0.00	0.00	443.21
Physics Class	1,714.14	0.00	0.00	1,714.14
Drama	621.37	0.00	0.00	621.37
Teacher Fund	83.67	0.00	0.00	83.67
Pure Cardinals	683.44	0.00	0.00	683.44
Cultural Diversity	1,264.45	0.00	0.00	1,264.45
Beta Club	209.03	0.00	0.00	209.03
Foreign Language	51.64	0.00	0.00	51.64
Key Club	426.94	0.00	0.00	426.94
FCA	51.39	0.00	0.00	51.39
FCCLA	109.08	0.00	0.00	109.08
FMD	621.82	0.00	0.00	621.82
Band	1,473.56	0.00	0.00	1,473.56
Sunshine Fund	17.77	0.00	0.00	17.77
Athletics	14,674.18	14,511.82	1,879.60	27,306.40
Class of 2016	67.48	0.00	0.00	67.48
Class of 2017	0.00	0.00	0.00	0.00
Guidance	6,589.92	0.00	0.00	6,589.92
WMCTV	391.07	0.00	0.00	391.07
Special Olympics	837.99	0.00	0.00	837.99
Library Activities	324.15	0.00	0.00	324.15
Arts and Humanities	391.00	0.00	0.00	391.00
AP History	12.46	0.00	0.00	12.46
Shakespeare & Peers	1,355.91	0.00	0.00	1,355.91
Rotary Interact	63.34	0.00	0.00	63.34
Beatnik Café	706.90	0.00	0.00	706.90
Publications	5,088.82	0.00	0.00	5,088.82
Sportsman Club	3,016.22	0.00	0.00	3,016.22
Subtotal	42,338.63	15,295.59	2,020.60	55,613.62
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 42,338.63</u>	<u>\$ 15,295.59</u>	<u>\$ 2,020.60</u>	<u>\$ 55,613.62</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION-ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2016

	Don McNeilly	Scott Nall Golf	Dewayne Stroup	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Board Leadership Male
ASSETS:								
Cash and cash equivalents	<u>\$ 16,755</u>	<u>\$ 2,669</u>	<u>\$ 400</u>	<u>\$ 9,575</u>	<u>\$ 1,311</u>	<u>\$ 22,036</u>	<u>\$ 203</u>	<u>\$ 2,538</u>
TOTAL ASSETS	<u><u>\$ 16,755</u></u>	<u><u>\$ 2,669</u></u>	<u><u>\$ 400</u></u>	<u><u>\$ 9,575</u></u>	<u><u>\$ 1,311</u></u>	<u><u>\$ 22,036</u></u>	<u><u>\$ 203</u></u>	<u><u>\$ 2,538</u></u>
NET POSITION HELD IN TRUST	<u><u>\$ 16,755</u></u>	<u><u>\$ 2,669</u></u>	<u><u>\$ 400</u></u>	<u><u>\$ 9,575</u></u>	<u><u>\$ 1,311</u></u>	<u><u>\$ 22,036</u></u>	<u><u>\$ 203</u></u>	<u><u>\$ 2,538</u></u>

See independent auditor's report and accompanying notes to financial statements

<u>Board Leadership Female</u>	<u>James Steel Robbins Memorial</u>	<u>Roy & Maxine Heath</u>	<u>McKenzie Staley Memorial</u>	<u>Nathan Sholar</u>	<u>Shelton Family</u>	<u>Thaddeus Hart</u>	<u>Higdon</u>	<u>Totals (Memorandum Only)</u>
<u>\$ 3,038</u>	<u>\$ 1,526</u>	<u>\$ 501</u>	<u>\$ 2,002</u>	<u>\$ 1,503</u>	<u>\$ 6,395</u>	<u>\$ 1,607</u>	<u>\$ 1,005</u>	<u>\$ 73,064</u>
<u><u>\$ 3,038</u></u>	<u><u>\$ 1,526</u></u>	<u><u>\$ 501</u></u>	<u><u>\$ 2,002</u></u>	<u><u>\$ 1,503</u></u>	<u><u>\$ 6,395</u></u>	<u><u>\$ 1,607</u></u>	<u><u>\$ 1,005</u></u>	<u><u>\$ 73,064</u></u>
<u><u>\$ 3,038</u></u>	<u><u>\$ 1,526</u></u>	<u><u>\$ 501</u></u>	<u><u>\$ 2,002</u></u>	<u><u>\$ 1,503</u></u>	<u><u>\$ 6,395</u></u>	<u><u>\$ 1,607</u></u>	<u><u>\$ 1,005</u></u>	<u><u>\$ 73,064</u></u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION HELD IN TRUST**
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2016

	Don McNeilly	Scott Nall Golf	Dewayne Stroup	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Board Leadership Male
REVENUES:								
From local sources:								
Donations	\$ 0	\$ 0	\$ 400	\$ 0	\$ 200	\$ 6,826	\$ 0	\$ 3,025
Earnings on Investments	45	7	0	34	0	12	0	2
Total Revenues	45	7	400	34	200	6,838	0	3,027
EXPENDITURES								
Benefits paid	0	0	0	4,000	0	15,608	0	2,000
Total expenditures	0	0	0	4,000	0	15,608	0	2,000
Change in net position held in trust	45	7	400	(3,966)	200	(8,770)	0	1,027
Net Position Held in Trust July 1, 2015	16,710	2,662	0	13,541	1,111	30,806	203	1,511
Net Position Held in Trust June 30, 2016	<u>\$ 16,755</u>	<u>\$ 2,669</u>	<u>\$ 400</u>	<u>\$ 9,575</u>	<u>\$ 1,311</u>	<u>\$ 22,036</u>	<u>\$ 203</u>	<u>\$ 2,538</u>

See independent auditor's report and accompanying notes to financial statements

<u>Board Leadership Female</u>	<u>James Steel Robbins Memorial</u>	<u>Roy & Maxine Heath</u>	<u>McKenzie Stanley Memorial</u>	<u>Nathan Sholar</u>	<u>Shelton Family</u>	<u>Thaddeus Hart</u>	<u>Higdon</u>	<u>Totals (Memorandum Only)</u>
\$ 3,025 2	\$ 1,000 0	\$ 500 0	\$ 500 1	\$ 1,000 0	\$ 1,535 4	\$ 1,506 0	\$ 1,005 0	\$ 20,522 107
<u>3,027</u>	<u>1,000</u>	<u>500</u>	<u>501</u>	<u>1,000</u>	<u>1,539</u>	<u>1,506</u>	<u>1,005</u>	<u>20,629</u>
<u>1,500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>1,000</u>	<u>5,000</u>	<u>250</u>	<u>1,000</u>	<u>31,858</u>
<u>1,500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>1,000</u>	<u>5,000</u>	<u>250</u>	<u>1,000</u>	<u>31,858</u>
1,527	500	0	1	0	(3,461)	1,256	5	(11,229)
<u>1,511</u>	<u>1,026</u>	<u>501</u>	<u>2,001</u>	<u>1,503</u>	<u>9,856</u>	<u>351</u>	<u>1,000</u>	<u>84,293</u>
<u>\$ 3,038</u>	<u>\$ 1,526</u>	<u>\$ 501</u>	<u>\$ 2,002</u>	<u>\$ 1,503</u>	<u>\$ 6,395</u>	<u>\$ 1,607</u>	<u>\$ 1,005</u>	<u>\$ 73,064</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Education:</u>				
Passed Through Kentucky Department of Education:				
Special Education Grants to States	84.027	3810002-14 & 15	\$ 0	\$ 320,435
Special Education Preschool Grants	84.173	3800002-14 & 15	0	43,503
<i>Total Special Education Cluster</i>			0	363,938
 Title I Grants to Local Educational Agencies	84.010	3100002-13 & 15	0	908,414
English Language Acquisition State Grants	84.365	3300002-14 & 15	0	53,833
Improving Teacher Quality State Grants	84.367	3230002-14 & 15	0	94,006
Rural Education	84.358	3140002-14 & 15	0	36,753
Migrant Education State Grant Program	84.011	3110002-14 & 15	0	103,585
Race to the Top	84.413	3960002-11	0	3,614
Career and Technical Education Basic Grants to States	84.048	3710002-14, 15, & 16	0	20,822
TOTAL U.S. DEPARTMENT OF EDUCATION			0	1,584,965
<u>U.S. Department of Health & Human Services:</u>				
Passed through Murray Board of Education:				
Head Start	93.600	04CH2692	0	164,014
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			0	164,014
<u>U.S. Department of Agriculture:</u>				
Passed Through Kentucky Department of Education:				
National School Lunch Program - cash	10.555	7750002-15 & 16	0	790,546
National School Lunch Program - donated foods (Note B)	10.555	N/A	0	70,019
School Breakfast Program	10.553	7760005-15 & 16	0	333,367
Summer Food Service Program for Children	10.559	7690024-15/16 & 7740023-15/16	0	34,756
<i>Total Child Nutrition Cluster</i>			0	1,228,688
 State Administrative Expenses for Child Nutrition	10.560	7700001-15	0	2,448
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027-14	0	25,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			0	1,256,136
TOTAL FEDERAL ASSISTANCE			\$ 0	\$ 3,005,115

See accompanying notes to schedule
of expenditures of federal awards

MAYFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Mayfield Independent School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Mayfield Independent School District, it is not intended to and does not present the financial position or changes in financial position of the Mayfield Independent School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.
- (2) The Mayfield Independent School District did not elect to use the 10% *de minimus* indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2016 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE D – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$	1,816,056
Total federal grants from page 16		1,186,116
Donated commodities from page 16		70,019
Less: Medicaid reimbursements included in indirect federal on page 13		<u>(67,076)</u>
Total on page 56	\$	<u>3,005,115</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

75 Vine Street
Benton, KY 42025

(270) 527-3628
(270) 527-2261 fax

kimhamcpa@hotmail.com

KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
American Institute
of CPA's

♦
MEMBER,
Kentucky Society
of CPA's

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements, and have issued my report thereon dated November 11, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Mayfield Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayfield Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mayfield Independent School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Mayfield Independent School District in a separate letter dated November 11, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 11, 2016

75 Vine Street
Benton, KY 42025

(270) 527-3628
(270) 527-2261 fax

kimhamcpa@hotmail.com

KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
American Institute
of CPA's

♦
MEMBER,
Kentucky Society
of CPA's

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Mayfield Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Mayfield Independent School District's major federal programs for the year ended June 30, 2016. Mayfield Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Mayfield Independent School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayfield Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Mayfield Independent School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Mayfield Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.


Report on Internal Control Over Compliance

Management of the Mayfield Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Mayfield Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Benton, Kentucky
November 11, 2016

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Mayfield Independent School District.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mayfield Independent School District were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over the major federal award program were disclosed during the audit.
5. The auditor's report on compliance for the major federal award program for Mayfield Independent School District expresses an unmodified opinion on the major federal program.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Mayfield Independent School District was determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2016**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

2015-001. Payroll Processing

When reviewing a sample of 60 payroll transactions in the prior year, we noted that 11 did not have all of the documentation in the personnel file to support the amount paid. Five were certified employees whose personnel files did not contain documentation for all experience to support the amount paid based on the salary schedule. Two were classified employees who were paid at a rate on a different salary schedule than the schedule that should have been used based on the documentation in the files. One person was paid at a part-time rate, while working full-time hours. Another was paid \$1 more than the salary schedule indicated based on experience. The personnel files for two classified employees did not have a contract. New procedures were put in place to verify that an employee folder is complete. District personnel started with new employees and began updating older files as time permitted. Personnel also reviewed pay records and confirmed that the pay matched the salary schedule and the contract. In our current year test of payroll transactions, we noted that documentation was included in employee files to support the amount paid.

2015-002. Purchasing Procedures

When reviewing a sample of 60 disbursements in the prior year, we noted that purchase orders were often not being used for all purchases, particularly when the purchase was made with a credit card. Also, travel vouchers were not appropriately approved. Out of the disbursements tested, 31 were not supported by proper purchase orders or travel vouchers. Employees with access to credit cards were reminded that each charge should have a purchase order and detailed receipt. The travel voucher now has an added section for "preapproval for travel". All of the superintendent's reimbursements are approved by either the Finance Officer or the Board. In our current year test of disbursements, we noted purchase orders and travel vouchers that were properly completed and approved. We also noted in the minutes that the board reviewed and approved the Superintendent's credit card disbursements.

2015-003. Fixed Assets Procedures

When reviewing fixed asset additions in the prior year, we noted that while most were tagged when received, approximately 300 assets were not entered into the MUNIS fixed asset module in a timely manner. In the current year, we noted that fixed assets were routinely added to the fixed asset module throughout the year and additions agreed with invoices examined. Depreciation was calculated in a timely manner.

2015-004. Adjusting Entries

In the prior year, we noted that several entries were not made before the annual financial report was completed. No accounts receivable or prepaid expenses were entered at fiscal year-end. The scholarship accounts had not been reconciled to amounts recorded in MUNIS. The entry to close-out Fund 2 projects was made to only one revenue account instead of recording the correct amount as federal, state and local funds. Amounts overspent in projects were also not moved from Fund 2 to Fund 1. Adjustments that were material in nature had to be made after the annual financial report was completed. In the current year, we noted that most adjustments were made prior to the annual financial report submission. Accounts receivable were recorded, scholarship account entries were reconciled, and appropriate entries were made to Fund 2 accounts receivable and deferred revenue to close the year.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)
June 30, 2016**

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2015-005. Payroll Processing

The information listed in reference number 2015-001 in the Findings - Financial Statement Audit in Part I on the previous page was the same for this finding. This finding applied to both the financial statement audit and the audit of a major federal award program; therefore, the same finding was listed in both sections.

MANAGEMENT LETTER POINTS

75 Vine Street
Benton, KY 42025

(270) 527-3628
(270) 527-2261 fax

kimhamcpa@hotmail.com

KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
*American Institute
of CPAs*

◆
MEMBER,
*Kentucky Society
of CPAs*

Kentucky State Committee for School District Audits
and Members of the Board of Education of
Mayfield Independent School District
Mayfield, Kentucky

I have audited the financial statements of the Mayfield Independent School District for the year ended June 30, 2016, and have issued my report thereon dated November 11, 2016. In planning and performing my audit of the financial statements of Mayfield Independent School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky
November 11, 2016

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2016

CORRECTED PRIOR YEAR COMMENTS

Central Office

Control over Assets:

When searching through a file of voided checks in the prior year, we noted blank checks that had no void markings on them. In the current year, we noted that voided checks were clearly marked void and that the District now uses blank check stock, where the routing and account number is not pre-printed on the check, but prints as the checks are run.

Credit Card and Travel Related Disbursements:

In a random sample of disbursements in the prior year, we noted that expenses for travel were often not properly documented with approval given prior to the travel. In the current year, we noted that travel vouchers were approved prior to the travel taking place and detailed receipts were retained with the travel voucher.

Purchasing Procedures:

In a random sample of disbursements in the prior year, we noted that disbursements were often not supported by purchase orders, particularly for maintenance items. In the current year, we noted that purchase orders were being used more routinely in all areas.

School Activity Funds – Mayfield High School

Athletic Ticket Sales:

When reviewing forms for ticket sales in the prior year, we noted one baseball game for which there was \$130 deposited, which was noted as being \$116 from concessions and only \$14 from ticket sales (although the sheet only indicated 2 tickets sold for a total of \$8). When we asked how this was possible, it was explained that there are problems with people being able to get in without paying. In the current year, the ticket sales forms appeared reasonable.

CURRENT YEAR COMMENTS

School Activity Funds - Mayfield Elementary School

Purchasing Procedures:

In our test of cash disbursements, we noted several purchase orders that were dated on the invoice or statement date; however, the shipping date was prior to the purchase order date. Purchasing policy #5 on page 12 of the "Redbook" states that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated". The payment is obligated when the goods or services are ordered.

Management's Response:

Our purchase orders will be prepared and approved by the sponsor and principal before payment is obligated.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2016

CURRENT YEAR COMMENTS (Continued)

School Activity Funds - Mayfield Middle School

Cash Receipts Procedures:

In our test of cash receipts, we noted six instances where the concession stand sheet was present, but did not list the number of slushies that were sold. We also noted 14 concession sales sheets and five other various receipts that were not signed by the person remitting the money. Two receipts were for the sale of school newspapers, but the only documentation was a copy of the newspaper. In addition, we noted one receipt that was voided on the computer, but the voided receipt copies were not located in the file. Receipts general guideline #3 on page 5 of the "Redbook" states that "teachers, sponsors, or students shall use the multiple receipt form or pre-numbered receipts when collecting money". Instead of the multiple receipt form, F-SA-17 is used for sales from concessions. All receipt documentation should be signed by the person remitting the funds, as well as by the school treasurer. If a cash receipt ticket needs to be voided, all copies of the receipt should be retained in the file, with the reason it was voided.

Management's Response:

Four employees generally takes turns selling slushies on Friday afternoons during 6th and 7th periods. The money, which is usually less than \$100, is locked in the records room and counted by the treasurer on Monday mornings. The treasurer filled out the F-SA-17 forms, which are copied on the back of the concession sheets, but failed to have someone else sign the forms. Priority will be given to ensuring that the forms are signed as Redbook requires. Every attempt is made to make sure that staff uses multiple receipt forms at all times when collecting money from students, parents, and staff. This includes when someone turns money into the front office, which is generally notated at the bottom of the multiple receipt form. We were unaware of staff not using a multiple receipt form. In the future, school newspapers will not be sold. The missing receipt that was voided in the computer was located stuck against the back of the file drawer. It was voided in the computer since it could not be located to use in order and has now been placed in the box with a note explaining the situation.

Purchasing Procedures:

In our test of cash disbursements, we noted three instances where the purchase order did not have estimated amounts listed. We also noted one disbursement to a soft drink vendor without a purchase order and one disbursement to an individual for a trombone without an invoice or standard invoice. In addition, we noted on one statement that the receipt for one ticket was almost 60% higher than what was estimated on the purchase order and another ticket had a note stating that the original receipt, purchase order, and card had been lost. Purchasing guideline #5 on page 12 of the "Redbook" states "always use a purchase order to initiate a purchase" and "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated". Purchasing guideline #7 on the same page states "before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice, which must be signed by the payee". The purchase order should list the cost of the items to be purchased. Where an exact cost is not known, a maximum amount should be listed. If the actual cost will exceed the maximum approved, further approvals from the sponsor and principal should be obtained.

Management's Response:

Every effort is made to use purchase orders when a purchase is required. This includes our best estimate when actual amounts are not known. The band purchased a trombone from an individual. No invoice was used, but a purchase order was completed. We were unaware that we needed an invoice, too, and will make efforts to ensure that an invoice accompanies a purchase order. A staff member did lose a Walmart credit card, purchase orders, and original receipt while in the process of moving. Walmart was contacted and the card was deleted, with a new one issued. We neglected to use purchase orders for transportation costs and soft drink purchases, but have changed this since learning that purchase orders are needed for these invoices as well. We will make every effort to follow Redbook guidelines.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**
June 30, 2016

CURRENT YEAR COMMENTS (Continued)

School Activity Funds – Mayfield High School

Cash Receipts Procedures:

In our test of cash receipts, we noted that funds were collected for one activity on three successive days (Tuesday, Wednesday, and Thursday), but were all remitted to the school treasurer on the fourth day (Friday). Cash of \$1,858 (with checks of \$2,856) was held for three days, cash of \$1,160 (with checks of \$1,030) was held for two days, and cash of \$1,420 (with checks of \$398) was held for one day prior to submitting the funds to the school treasurer. Receipts general guideline #1 on page 5 of the "Redbook" states that "all money collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day".

Management's Response:

We will address this again during our December faculty meeting, about turning in money on the day collected with a multiple receipt form. We will have teacher training on the importance of turning in money each day. We will offer Redbook training for club sponsors/coaches.

Purchasing Procedures:

In our test of cash disbursements, we noted two standard invoices that were not signed by the vendor. We also noted the only documentation besides a purchase order for a volleyball clinic was a skill plan for the clinic with no amount listed as to the fee. The school uses blanket purchase orders for several vendors in order to reduce paperwork and time. For one vendor, we noted that although specific items were listed on the purchase order, the number of items to be purchased was not listed. The dollar amount on the purchase order was the exact amount of the invoice, which indicates it was filled in after the invoice was received. We also noted for several other vendors where blanket purchase orders are being used, that there is no dollar limit for the year and it does not appear that specific items are approved prior to making the purchase. Blanket purchase orders are also used for start-up change for gate receipts. Each line shows the check number and amount; however, no one is signing to indicate that they received the check. Purchasing guideline #7 on page 12 of the "Redbook" states that "if a vendor invoice is not available, the disbursement shall be supported by a standard invoice, which must be signed by the payee". Although the use of blanket purchase orders is allowed by the District, their use cannot be so broad that there are no limits as to what and how much is purchased.

Management's Response:

A purchase order must be filled out prior to ordering, even with blanket orders, and an estimate is listed with a total. We will have the person we are issuing the startup check to initial he has received it. We will also address this in our next faculty meeting.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**
June 30, 2016

CURRENT YEAR COMMENTS (Continued)

School Activity Funds – Mayfield High School (Continued)

Credit Card and Travel Related Disbursements:

In our review of detail supporting credit card charges, we noted for one credit card statement, detailed invoices were present for all but one charge. For travel to one event, the person who went to the event and made the charges on the credit card was the person who approved the travel voucher. For another credit card statement, we noted detailed invoices were present for all but one charge to a restaurant. All travel related disbursements for this statement was pre-approved by the principal. Credit Card policy #5 on page 16 of the "Redbook" states that "all charges on the card require a prior-approved purchase order and a signed itemized store receipt". Travel Reimbursement policy #2 on page 12 of the "Redbook" states that "reimbursement may be made from the school activity fund with submission of a travel voucher approved by the principal". Whether the travel is paid by the employee and reimbursed later or whether the travel is charged on the District credit card, the travel voucher should be approved in advance by the principal. If the principal is the person who is making the travel, the superintendent should pre-approve the travel.

In a review of large disbursements, we noted a check made payable to an individual with the note that it was for a baseball room for one week for \$1,220. The email confirmation listed a beachfront condominium for seven nights for two adults and two children. Upon further inquiry, we were told that the baseball team was playing in a tournament in Panama City Beach and most of the baseball parents would reserve rooms for themselves and their student athlete would stay with them; however, some parents could not go and those players would stay in a room with the coaches. There was nothing documented in the file as to who stayed in the condo. We could not determine how many games or which dates the team played; however, based on meal receipts charged to the credit card, meals were provided for 12 to 16 people on April 5th, 6th, and 7th. If the official duties for the coaches were only on those dates, then a portion of the week's rental would be for personal use.

Management's Response:

Receipts for all travel must be turned in with a pre-approved expense report with itemized receipts. If traveling with a team, the coach/sponsor must provide a detailed schedule, room assignments, etc. This will be addressed at our December faculty meeting.

Fundraisers:

We noted several fundraiser worksheets that were not correctly completed. One listed only receipts and no expenses. One did not list items and sale prices and forced budgeted sales to equal receipts, which did not match actual deposits. Another one did not list items and sale prices and did not explain the excess cash above what was anticipated. Another had the sales prices all as one amount; however, the items were sold for two different prices. The expenses and actual receipts were also not correct. The school also received two matching donations from an organization for which the paperwork to substantiate the activity and funds generated to earn the matching portion could not be located. Form F-SA-2B should be accurately completed, since the purpose of the worksheet is to recap the profitability of the fundraiser and to determine if the amounts collected are reasonable when compared to the number of items multiplied by the sales price. For matching donations, worksheets that show the date of the activity and documentation that shows how the funds were raised should be retained.

Management's Response:

A copy of the order form that shows prices of items to be purchased will be attached. If something is donated, it will be written on the fundraiser worksheet. If doing a matching fund, the appropriate forms will be filled out. This will be addressed at our December faculty meeting.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2016

Inventory Control:

When reviewing an inventory control worksheet, we noted that the form was not complete. The beginning inventory was not totaled and some purchases were listed at cost instead of at sales price. Some deliveries were not listed on the sheet. No ending inventory was listed on the sheet. It could not be determined whether there was an excess or shortage for the time period included on the sheet.

Management's Response:

An inventory sheet will be filled out after each night of concessions. This will need to be turned in at the end of the season that is playing. An inventory worksheet will be created for the sports to use. This will be addressed at our December faculty meeting.